
SEARS HOLDINGS

STATUS UPDATE PRESENTATION TO THE COURT

January 21, 2021

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Progress on Administrative Claims Reconciliation

- Reconciled more than 3,942 total claims and other requests for payment and administrative claims
- Eliminated more than \$1.3bn of claims asserting entitlement to administrative or priority status
- Allowed 1,667 claims
- Disputing 49 claims asserting approximately \$11mm, excluding allowed claims with outstanding preference issues
 - This is a reduction of 118 claims with asserted amount of \$38mm since June 2020

<i>\$ in mm</i>	Allowed Amount	Preference	Allowed Amount	Allowed Amount	Paid	Remaining
Group	Through 01/19/21	Set-off	net of Set-off	Post-discount	Amount ⁽¹⁾	Amount
Opt-In	\$78.9	(5.8)	\$73.2	\$54.9	(\$21.4)	\$33.5
Allowed Non-Opt-Out	66.3	(10.7)	55.6	44.5	(18.4)	26.1
Total Opt-In and Allowed Non-Opt-Out	\$145.2	(16.5)	\$128.7	\$99.3	(\$39.8)	\$59.5
<i>Reconciled Claims subject to Preference Issues</i>	4.1 ⁽²⁾	TBD	4.1	3.3		3.3
<i>Estimated Allowed Amount for Disputed Claims (\$11.4mm of asserted amount)</i>	2.8 ⁽³⁾	TBD	2.8	2.3		2.3
<i>Estimated Allowed Amount before Opt-Out</i>	\$152.1	TBD	\$135.6	\$104.9	(\$39.8)	\$65.1
<i>Estimated Allowed Opt-Out Claims (\$28.3mm of asserted amount) ⁽⁴⁾</i>	25.0	TBD	25.0	25.0	-	25.0
Total Estimated Allowed Admin Claims	\$177.1	TBD	\$160.6	\$129.9	(\$39.8)	\$90.1

(1) Estimated Reserve for disputed claims is \$5mm; currently \$2.2mm has been funded to Evolve bank, and \$2.8mm is set aside in the Cash Reserve Account

(2) Reflects 52 claims with asserted amount of \$7.0mm

(3) Reflects 49 claims with asserted amount of \$11.4mm

(4) Asserted amount excludes following claims to be disallowed in next series of Omnibus Objection: \$1.5bn of Wilmington Trust claims, \$37.8mm of Community Unit School District 300 claim, and \$7.1mm of duplicate claims

Progress on Distributions

- Initial post-confirmation settlement distribution of \$21mm made in December 2019
- Pursuant to Second Distribution commenced in August 2020, \$18.8mm has been disbursed to creditors with allowed admin claims

Additional Funds Necessary to Go Effective

Estimated Cash Available before potential proceeds from PTAB Appeals, preference claims and ESL litigation is \$39.2mm

Total projected uses of cash are \$136.5mm, including a full year of Pre-Effective Date expenses.

The \$97.3mm difference between estimated cash available and projected uses of cash is expected to be covered with proceeds from the PTAB Appeals, Preference claims, and ESL litigation

\$ in mm	As of 5/30/20	As of 1/2/21	Variance
1/2/21 BANK ACCOUNT BALANCES - AVAILABLE CASH			
Current Cash Balance	\$38.4	\$26.8	(\$11.6)
Less: Total Reserves	-	(10.0)	(10.0)
Total Available Cash⁽¹⁾	\$38.4	\$16.8	(\$21.6)
ESTIMATED REMAINING ASSET RECOVERIES			
Real Estate Asset Sales	\$5.1	\$3.5	(\$1.6)
Calder Sculpture	6.0	6.0	-
Non-ESL Settlement Proceeds	-	6.5	6.5
Other Proceeds	10.2	6.4	(3.8)
Total Remaining Asset Recoveries	\$21.3	\$22.4	\$1.1
Estimated Cash Available to Satisfy Operating Expenses & Claims	\$59.7	\$39.2	(\$20.5)
ESTIMATED REMAINING ADMIN, PRIORITY, AND SECURED CLAIMS			
Administrative Expense Consent Program (Excludes Amount covered by Reserve Against Cash Balance)	(113.3)	(85.1)	28.2
Priority Tax	(15.0)	(3.0)	12.0
Priority Non-Tax	(6.0)	(6.0)	-
Secured Claim	(18.0)	(15.0)	3.0
Total Remaining Claims	(152.3)	(109.1)	43.2
Estimated Claims Unfunded Prior to Other Post-Confirmation Expenses/Liabilities	(\$92.6)	(\$69.9)	\$22.7
Estimated Other Post-Confirmation Expenses/Liabilities if Effective Date Occurs on 12/31/21	(19.7)	(27.5)	(7.7)
Total Difference between Cash Available and Projected Uses	(\$112.3)	(\$97.3)	\$15.0

(1) Total available cash as of January 2021 Includes the \$10mm minimum cash balance required for Cash Reserve Account

Sources, excluding recoveries from avoidance actions, increased by \$11.3mm compared to the May 30, 2020 estimate

Post-Confirmation Update on Sources

(\$ in mm)	Confirmation Date Estimates	Estimates As of 5/30/2020	Actual Through 1/1/2021	Estimated Through 12/31/2021	Confirmation Date Through 12/31/2021
SOURCES					
Cash On Hand at Confirmation	\$45.4	\$48.5	\$48.5	-	\$48.5
Calder Net Proceeds	10.0	6.0	-	6.0	6.0
Real Estate Proceeds	13.1	15.0	14.1	3.5	17.6
De Minimis Assets	5.3	8.3	7.2	1.4	8.6
2017 EDA Funds	5.0	5.2	5.2	-	5.2
Utility Deposit	4.7	10.0	9.0	-	9.0
Contribution from Carve Out	-	9.0	9.0	-	9.0
Tax Refunds - Received	-	4.9	5.5	-	5.5
Blue Cross Blue Shield Escrow	-	4.6	4.1	0.5	4.6
Other	-	2.0	7.3	-	7.3
Tax Refunds - Outstanding	-	7.5	-	4.5	4.5
Transform 503(b)(9) Obligations	-	12.0	12.0	-	12.0
Settlement Proceeds ⁽¹⁾	-	-	-	2.0	2.0
2015 PTAB Settlement	-	-	-	4.5	4.5
Subtotal	83.5	133.0	121.9	22.4	144.3
Avoidance Actions - Preference Recoveries ⁽²⁾	-	6.3	14.5	-	14.5
Total Sources	\$83.5	\$139.3	\$136.4	\$22.4	\$158.8

Increase from May 2020 estimates excluding preference recoveries: **\$11.3**
Increase from Confirmation Date estimates excluding preference recoveries: **\$60.8**

Post-Confirmation Update on Uses

Total Uses remain within confirmation estimate range

(\$ in mm)	Confirmation Date Estimates		Estimates As of 5/30/2020	Actual Through 1/1/2021	Estimated Through 12/31/2021	Confirmation Date Through 12/31/2021
USES	Low	High				
503(b)(9)	\$90.0	\$155.0	\$100.0	\$29.2	\$53.6	\$82.8
Other Admin Claims	50.0	50.0	34.3	10.6	31.5	42.1
Priority Tax	15.0	18.0	15.0	-	3.0	3.0
Priority Non-Tax	3.0	3.0	6.0	-	6.0	6.0
Secured Claim	18.0	18.0	18.0	-	15.0	15.0
Disputed Claim Reserve	-	-	-	5.0	-	5.0
Other Reserves	-	-	-	5.0	-	5.0
Taxes	-	-	0.2	0.7	-	0.7
Board Fees	-	-	2.4	1.4	1.3	2.7
Professional Fee Carve Out Funding	9.0	9.0	33.2	30.9	18.6	49.5
Other Liabilities and Expenses	-	-	11.2	11.8	7.6	19.4
Liquidating Trust Funding	25.0	25.0	25.0	25.0	-	25.0
Total Uses	\$210.0	\$278.0	\$245.3	\$119.6	\$136.5	\$256.1

Post-Confirmation Update on Avoidance Recovery

Approximately 33% of preference matters have been settled in terms of the number of settlements

Settlements have resulted in a combination of cash and admin claim waivers of \$40mm

(\$ in mm)	Number of Matters	Gross Preference Period Transfers
Initial Avoidance Action Matters	3,550	\$1,862.7
Total Actions Determined to be Ineligible ⁽¹⁾	(1,259)	(907.2)
Matters Settled	(1,170)	(370.1)
Open Matters (Complaints Filed)	1,121	\$585.5

(1) Reflects transfers that appear to have complete defenses based on assumed contracts, cash in advance, or other defenses

Conclusion

- Debtor's performance and go forward projections consistent with prior estimates although case remains challenging
 - Increased time in bankruptcy has led to higher expenses, including professional fees, now part of the pre-effective date period, which would have been incurred during the post-effective date period had an earlier Effective Date occurred.
 - Emergence remains contingent on successful litigation against ESL and collection of avoidance actions
- The Debtors stand ready to work with the remaining disputed creditors to resolve their claims